

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

Township of Thornapple
Barry County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended March 31, 2005

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INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Township of Thornapple, Michigan**

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the Township of Thornapple, Michigan, as of March 31, 2005, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of the Township of Thornapple, Michigan, as of March 31, 2005, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 12, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of April 1, 2004.

The budgetary comparison information, on pages 25 and 26, is not a required part of the basic financial statements but is supplementary information required by Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Trustees
Township of Thornapple, Michigan
Page 2

The Township of Thornapple, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Sigfried Crandall P.C.

July 14, 2005

BASIC FINANCIAL STATEMENTS

Township of Thornapple
STATEMENT OF NET ASSETS
March 31, 2005

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 735,839	\$ 52,555	\$ 788,394
Investments	15,240	-	15,240
Receivables, net	105,554	58,490	164,044
Internal balances	<u>20,000</u>	<u>(20,000)</u>	<u>-</u>
Total current assets	876,633	91,045	967,678
Noncurrent assets - capital assets, net of accumulated depreciation	<u>3,528,368</u>	<u>723,300</u>	<u>4,251,668</u>
Total assets	<u>4,405,001</u>	<u>814,345</u>	<u>5,219,346</u>
LIABILITIES			
Current liabilities:			
Payables	62,094	17,926	80,020
Deferred revenue	-	15,275	15,275
Bonds payable	<u>125,000</u>	<u>-</u>	<u>125,000</u>
Total current liabilities	187,094	33,201	220,295
Noncurrent liabilities - bonds payable	<u>2,075,000</u>	<u>-</u>	<u>2,075,000</u>
Total liabilities	<u>2,262,094</u>	<u>33,201</u>	<u>2,295,295</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,328,368	723,300	2,051,668
Restricted for:			
Public safety	202,424	-	202,424
Debt service	170,873	-	170,873
Unrestricted	<u>441,242</u>	<u>57,844</u>	<u>499,086</u>
Total net assets	<u>\$ 2,142,907</u>	<u>\$ 781,144</u>	<u>\$ 2,924,051</u>

See notes to the financial statements

Township of Thornapple
STATEMENT OF ACTIVITIES
Year ended March 31, 2005

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>	
		<u>Charges for services</u>	<u>Operating grants and contributions</u>
Governmental activities:			
Legislative	\$ 11,196	\$ -	\$ -
General government	416,542	14,957	-
Public safety	612,267	143,574	525
Public works	89,164	25,750	4,029
Community and economic development	45,762	9,840	-
Interest on long-term debt	66,150	-	-
Total governmental activities	<u>1,241,081</u>	<u>194,121</u>	<u>4,554</u>
Business-type activities:			
Ambulance	370,838	307,446	-
Sewer	92,158	54,931	-
Total business-type activities	<u>462,996</u>	<u>362,377</u>	<u>-</u>
Totals	<u>\$ 1,704,077</u>	<u>\$ 556,498</u>	<u>\$ 4,554</u>

General revenues:
Property taxes
State shared revenue
Unrestricted interest income
Other
Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

<i>Net (expenses) revenues and changes in net assets</i>			
<i>Capital grants and contributions</i>	<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>
\$ -	\$ (11,196)		\$ (11,196)
-	(401,585)		(401,585)
-	(468,168)		(468,168)
-	(59,385)		(59,385)
-	(35,922)		(35,922)
-	(66,150)		(66,150)
-	(1,042,406)		(1,042,406)
-		\$ (63,392)	(63,392)
-		(37,227)	(37,227)
-		(100,619)	(100,619)
\$ -	(1,042,406)	(100,619)	(1,143,025)
	649,360	-	649,360
	261,737	-	261,737
	5,749	527	6,276
	3,591	-	3,591
	(6,530)	6,530	-
	913,907	7,057	920,964
	(128,499)	(93,562)	(222,061)
	2,271,406	874,706	3,146,112
\$	<u>2,142,907</u>	<u>\$ 781,144</u>	<u>\$ 2,924,051</u>

See notes to the financial statements

Township of Thornapple
BALANCE SHEET - governmental funds
 March 31, 2005

	<u>Major funds</u>				<u>Total</u>
	<u>General</u>	<u>Fire</u>	<u>Debt Service</u>	<u>Nonmajor fund</u>	<u>governmental funds</u>
ASSETS					
Cash	\$ 414,066	\$ 129,682	\$ 185,306	\$ 6,785	\$ 735,839
Investments	-	15,240	-	-	15,240
Receivables, net	59,560	33,427	12,567	-	105,554
Due from other funds	29,533	69,600	-	-	99,133
Total assets	<u>\$ 503,159</u>	<u>\$ 247,949</u>	<u>\$ 197,873</u>	<u>\$ 6,785</u>	<u>\$ 955,766</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Payables	\$ 19,102	\$ 15,992	\$ -	\$ -	\$ 35,094
Due to other funds	49,600	29,533	-	-	79,133
Total liabilities	<u>68,702</u>	<u>45,525</u>	<u>-</u>	<u>-</u>	<u>114,227</u>
Fund balances:					
Reserved for debt service	-	-	197,873	-	197,873
Unreserved, undesignated	434,457	202,424	-	6,785	643,666
Total fund balances	<u>434,457</u>	<u>202,424</u>	<u>197,873</u>	<u>6,785</u>	<u>841,539</u>
Total liabilities and fund balances	<u>\$ 503,159</u>	<u>\$ 247,949</u>	<u>\$ 197,873</u>	<u>\$ 6,785</u>	

Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds. 3,528,368

Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. (2,227,000)

Net assets of *governmental activities* (page 5) \$ 2,142,907

See notes to the financial statements

Township of Thornapple

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds**

Year ended March 31, 2005

	<u>Major funds</u>			<u>Nonmajor fund</u>	<u>Total governmental funds</u>
	<u>General</u>	<u>Fire</u>	<u>Debt Service</u>		
REVENUES					
Property taxes	\$ 259,476	\$ 199,708	\$ 190,176	\$ -	\$ 649,360
State grants	265,766	-	-	-	265,766
Charges for services	24,797	138,903	-	-	163,700
Interest and rentals	3,813	350	1,313	273	5,749
Other:					
Special assessment:					
Street lighting	2,035	-	-	-	2,035
Lake improvement	23,715	-	-	-	23,715
Miscellaneous	3,591	5,196	-	-	8,787
Total revenues	<u>583,193</u>	<u>344,157</u>	<u>191,489</u>	<u>273</u>	<u>1,119,112</u>
EXPENDITURES					
Legislative	11,196	-	-	-	11,196
General government	383,544	-	250	-	383,794
Public safety	-	426,821	-	-	426,821
Public works	89,164	-	-	-	89,164
Community and economic development	45,762	-	-	-	45,762
Debt service:					
Principal	-	-	75,000	-	75,000
Interest	-	-	100,650	-	100,650
Capital outlay	2,359	72,818	-	9,519	84,696
Total expenditures	<u>532,025</u>	<u>499,639</u>	<u>175,900</u>	<u>9,519</u>	<u>1,217,083</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	51,168	(155,482)	15,589	(9,246)	(97,971)
OTHER FINANCING USES					
Transfer out	(6,530)	-	-	-	(6,530)
Net change in fund balances	44,638	(155,482)	15,589	(9,246)	(104,501)
FUND BALANCES - BEGINNING	<u>389,819</u>	<u>357,906</u>	<u>182,284</u>	<u>16,031</u>	<u>946,040</u>
FUND BALANCES - ENDING	<u>\$ 434,457</u>	<u>\$ 202,424</u>	<u>\$ 197,873</u>	<u>\$ 6,785</u>	<u>\$ 841,539</u>

See notes to the financial statements

Township of Thornapple

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds (Continued)**

Year ended March 31, 2005

Reconciliation of the statement of revenues, expenditures, and changes in
fund balances to the statement of activities.

Net change in fund balances - total governmental funds (page 8) \$ (104,501)

Amounts reported for *governmental activities* in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However,
in the statement of activities the cost of those assets is allocated
over their estimated useful lives as depreciation expense.

Deduct: Provision for depreciation (133,498)

Repayment of bond principal is an expenditure in the governmental
funds, but the repayment reduces noncurrent liabilities in the
statement of net assets.

75,000

Decrease in accrued interest payable

34,500

Change in net assets of *governmental activities* (page 6)

\$ (128,499)

Township of Thornapple
STATEMENT OF NET ASSETS - proprietary funds
March 31, 2005

	<u>Ambulance</u>	<u>Sewer</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 41,554	\$ 11,001	\$ 52,555
Receivables, net	<u>58,313</u>	<u>177</u>	<u>58,490</u>
Total current assets	99,867	11,178	111,045
Noncurrent assets:			
Capital assets, net of accumulated depreciation	<u>138,998</u>	<u>584,302</u>	<u>723,300</u>
Total assets	<u>238,865</u>	<u>595,480</u>	<u>834,345</u>
LIABILITIES			
Current liabilities:			
Payables	15,990	1,936	17,926
Due to other funds	20,000	-	20,000
Deferred revenue	<u>15,275</u>	<u>-</u>	<u>15,275</u>
Total liabilities	<u>51,265</u>	<u>1,936</u>	<u>53,201</u>
NET ASSETS			
Invested in capital assets	138,998	584,302	723,300
Unrestricted	<u>48,602</u>	<u>9,242</u>	<u>57,844</u>
Total net assets	<u>\$ 187,600</u>	<u>\$ 593,544</u>	<u>\$ 781,144</u>

See notes to the financial statements

Township of Thornapple
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - proprietary funds
Year ended March 31, 2005

	<u>Ambulance</u>	<u>Sewer</u>	<u>Totals</u>
OPERATING REVENUES			
Charges for services, net of contractual adjustments	\$ 296,875	\$ 54,931	\$ 351,806
Other	<u>10,571</u>	<u>-</u>	<u>10,571</u>
Total operating revenues	<u>307,446</u>	<u>54,931</u>	<u>362,377</u>
OPERATING EXPENSES			
Personnel costs	247,134	5,357	252,491
Supplies	18,448	313	18,761
Contracted services	15,952	5,286	21,238
Repairs and maintenance	11,212	59,024	70,236
Insurance	16,970	2,825	19,795
Utilities	14,160	1,444	15,604
Bad debts	15,332	-	15,332
Miscellaneous	4,921	1,411	6,332
Depreciation	<u>26,709</u>	<u>16,498</u>	<u>43,207</u>
Total operating expenses	<u>370,838</u>	<u>92,158</u>	<u>462,996</u>
Operating loss	(63,392)	(37,227)	(100,619)
NONOPERATING REVENUE			
Interest revenue	<u>-</u>	<u>527</u>	<u>527</u>
Loss before transfer	(63,392)	(36,700)	(100,092)
TRANSFER IN - General Fund	<u>6,530</u>	<u>-</u>	<u>6,530</u>
CHANGE IN NET ASSETS	(56,862)	(36,700)	(93,562)
NET ASSETS - BEGINNING	<u>244,462</u>	<u>630,244</u>	<u>874,706</u>
NET ASSETS - ENDING	<u>\$ 187,600</u>	<u>\$ 593,544</u>	<u>\$ 781,144</u>

See notes to the financial statements

Township of Thornapple
STATEMENT OF CASH FLOWS - proprietary funds
Year ended March 31, 2005

	<u>Ambulance</u>	<u>Sewer</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 303,981	\$ 55,561	\$ 359,542
Payments to vendors and suppliers	(129,523)	(69,479)	(199,002)
Payments to employees	(193,349)	(4,976)	(198,325)
Net cash used in operating activities	(18,891)	(18,894)	(37,785)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer in - General Fund	6,530	-	6,530
Decrease in due to other funds	(14,049)	-	(14,049)
Net cash used in noncapital financing activities	(7,519)	-	(7,519)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	-	527	527
NET DECREASE IN CASH	(26,410)	(18,367)	(44,777)
CASH - BEGINNING	67,964	29,368	97,332
CASH - ENDING	\$ 41,554	\$ 11,001	\$ 52,555
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (63,392)	\$ (37,227)	\$ (100,619)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	26,709	16,498	43,207
Decrease in receivables, net	2,192	630	2,822
Increase in:			
Payables	5,925	1,205	7,130
Deferred revenue	9,675	-	9,675
Net cash used in operating activities	\$ (18,891)	\$ (18,894)	\$ (37,785)

See notes to the financial statements

Township of Thornapple
STATEMENT OF FIDUCIARY NET ASSETS - *agency funds*
March 31, 2005

ASSETS

Cash	\$ 289,366
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LIABILITIES

Payables	\$ 289,366
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See notes to the financial statements

Township of Thornapple
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Thornapple, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Township of Thornapple
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire Fund accounts for specific revenues, derived primarily from property taxes that are to be expended for fire protection.

The Debt Service Fund accounts for the accumulation of resources restricted for, and the payment of, governmental debt principal, interest, and related costs.

The Township reports the following major proprietary funds:

The Ambulance Fund accounts for the activities of the Township's ambulance service.

The Sewer Fund accounts for the activities of the Township's sewage collection system.

Private-sector standards of accounting issued prior to March 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

The Township reports two fiduciary funds, the Agency Fund and the Tax Collection Fund, which account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for services. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Township of Thornapple
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity:

i) *Bank deposits* - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

ii) *Receivables* - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) *Prepaid items* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the government-wide financial statements.

iv) *Capital assets* - Capital assets, which include property, equipment, and infrastructure assets (e.g., shared road costs and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 - 60 years
Equipment	3 - 5 years
Vehicles	3 - 5 years
Sewer system	50 years

v) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vi) *Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

Township of Thornapple
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year. The Township had no significant budget variances.

NOTE 3 - CASH AND INVESTMENTS:

The Township's cash and investments are as follows:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Fiduciary</u>	<u>Totals</u>
Deposits	\$ 735,714	\$ 52,555	\$ 289,366	\$ 1,077,635
Cash on hand	125	-	-	125
Investments	<u>15,240</u>	<u>-</u>	<u>-</u>	<u>15,240</u>
	<u>\$ 751,079</u>	<u>\$ 52,555</u>	<u>\$ 289,366</u>	<u>\$ 1,093,000</u>

Deposits are carried at cost and are maintained at various financial institutions in the name of the Township. State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority. At March 31, 2005, the Township has deposits with a carrying amount of \$1,077,635 and a bank balance of \$1,101,525. Of the bank balance, \$211,077 is covered by federal depository insurance and \$890,448 is uninsured.

Investments:

State statutes authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper, with three (3) highest rate classifications by at least two (2) rating services, maturing not later than 270 days; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; e) mutual funds; and f) investment pools organized under the local government investment pool act. Not more than 50% of any mutual fund may be invested in commercial paper. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at March 31, 2005. The Township's investments, which are category 1 investments, in the amount of \$15,240, consist of U.S. Treasury obligations that are held in the Township's name and recorded at fair value.

Township of Thornapple
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES:

Receivables as of year end for the government's individual major funds are as follows:

	<u>Accounts</u>	<u>Property taxes</u>	<u>Inter- governmental</u>	<u>Totals</u>
Governmental activities:				
General Fund	\$ -	\$ 17,702	\$ 41,858	\$ 59,560
Fire Fund	20,041	13,386	-	33,427
Debt Service Fund	-	12,567	-	12,567
Total governmental activities	<u>\$ 20,041</u>	<u>\$ 43,655</u>	<u>\$ 41,858</u>	<u>\$ 105,554</u>
Business-type activities:				
Ambulance Fund	\$ 48,638	\$ -	\$ -	\$ 48,638
Sewer Fund	177	-	-	177
Total business-type activities	<u>\$ 48,815</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,815</u>

All receivables are considered fully collectible.

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2005, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	<u>\$ 260,250</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 260,250</u>
Capital assets being depreciated:				
Buildings	2,577,517	-	-	2,577,517
Equipment and vehicles	<u>1,079,912</u>	<u>-</u>	<u>-</u>	<u>1,079,912</u>
Subtotal	<u>3,657,429</u>	<u>-</u>	<u>-</u>	<u>3,657,429</u>
Less accumulated depreciation:				
Buildings	110,529	64,438	-	174,967
Equipment and vehicles	<u>145,284</u>	<u>69,060</u>	<u>-</u>	<u>214,344</u>
Subtotal	<u>255,813</u>	<u>133,498</u>	<u>-</u>	<u>389,311</u>
Total capital assets being depreciated, net	<u>3,401,616</u>	<u>(133,498)</u>	<u>-</u>	<u>3,268,118</u>
Governmental activities capital assets, net	<u>\$ 3,661,866</u>	<u>\$ (133,498)</u>	<u>\$ -</u>	<u>\$ 3,528,368</u>

Township of Thornapple
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

	<i><u>Beginning balance</u></i>	<i><u>Increases</u></i>	<i><u>Decreases</u></i>	<i><u>Ending balance</u></i>
Business-type activities:				
Capital assets not being depreciated - land	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,000</u>
Capital assets being depreciated:				
Sewer system	824,898	-	-	824,898
Office equipment	<u>259,208</u>	<u>-</u>	<u>-</u>	<u>259,208</u>
Subtotal	<u>1,084,106</u>	<u>-</u>	<u>-</u>	<u>1,084,106</u>
Less accumulated depreciation:				
Sewer system	224,098	16,498	-	240,596
Office equipment	<u>118,501</u>	<u>26,709</u>	<u>-</u>	<u>145,210</u>
Subtotal	<u>342,599</u>	<u>43,207</u>	<u>-</u>	<u>385,806</u>
Total capital assets being depreciated, net	<u>741,507</u>	<u>(43,207)</u>	<u>-</u>	<u>698,300</u>
Business-type activities capital assets, net	<u>\$ 766,507</u>	<u>\$ (43,207)</u>	<u>\$ -</u>	<u>\$ 723,300</u>

Depreciation expense was charged to the Township's functions as follows:

Governmental activities:	
General government	\$ 20,552
Public safety	<u>112,946</u>
Total governmental activities	<u>\$ 133,498</u>

NOTE 6 - NONCURRENT LIABILITIES:

At March 31, 2005, long-term liabilities are comprised of the following individual issue:

Governmental activities - bonds	
\$2,275,000 2003 Limited Tax General Obligation Bonds; due in annual installments of \$75,000 to \$350,000 plus interest, ranging from 2.00% to 3.35%, through November 2013.	<u>\$2,200,000</u>

Township of Thornapple
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - NONCURRENT LIABILITIES (Continued):

Noncurrent liability activity for the year ended March 31, 2005, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Governmental activities:					
2003 Bonds	<u>\$ 2,275,000</u>	<u>\$ -</u>	<u>\$ (75,000)</u>	<u>\$ 2,200,000</u>	<u>\$ 125,000</u>

At March 31, 2005, debt service requirements were as follows:

<u>Year ended March 31</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 125,000	\$ 65,600
2007	150,000	63,100
2008	200,000	59,724
2009	225,000	54,524
2010	250,000	48,224
2011 - 2014	<u>1,250,000</u>	<u>106,314</u>
Totals	<u>\$ 2,200,000</u>	<u>\$ 397,486</u>

NOTE 7 - PAYABLES:

Payables as of year-end for the Township's individual major funds are as follows:

	<u>Accounts</u>	<u>Payroll</u>	<u>Totals</u>
Governmental activities:			
General	\$ 9,714	\$ 9,388	\$ 19,102
Fire	<u>4,013</u>	<u>11,979</u>	<u>15,992</u>
Total	<u>\$ 13,727</u>	<u>\$ 21,367</u>	<u>\$ 35,094</u>
Business-type activities:			
Ambulance	\$ 4,759	\$ 11,231	\$ 15,990
Sewer	<u>1,750</u>	<u>186</u>	<u>1,936</u>
Total	<u>\$ 6,509</u>	<u>\$ 11,417</u>	<u>\$ 17,926</u>

Township of Thornapple
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

At March 31, 2005, the composition of interfund balances is as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Fund</u>	<u>Payables</u>
Fire	\$ 69,600	General	\$ 49,600
		Ambulance	<u>20,000</u>
			69,600
General	<u>29,533</u>	Fire	<u>29,533</u>
Totals	<u>\$ 99,133</u>	Totals	<u>\$ 99,133</u>

The interfund transfer for the year ended March 31, 2005, is as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Fund</u>	<u>Transfer out</u>
Ambulance	<u>\$ 6,530</u>	General	<u>\$ 6,530</u>

This transfer moved unrestricted revenues, collected in the General Fund, to the Ambulance Fund to finance a portion of ambulance service operating costs in accordance with budgetary authorizations.

NOTE 9 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 10 - DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits for all of its full-time and regular part-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate after a 90-day waiting period. The Township contributes to the plan an amount equal to 5% of the compensation of each qualified employee. The Township's contributions are fully vested immediately. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

The Township made the required contributions of \$21,008 for the year ended March 31, 2005.

Township of Thornapple
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - JOINT VENTURE:

The Township is a participant in the Thornapple Area Parks and Recreation Commission (the Commission) along with the Village of Middleville and the Thornapple Kellogg School District. The administrative board of the Commission consists of members appointed by each participating unit. The Commission was formed for the purpose of providing recreation services to the Thornapple area. The Township has no equity interest in the Commission; therefore, financial information of the Commission has not been included in the Township's financial statements.

Costs of operations and capital asset acquisitions of the Commission are supported by contributions from the Township, Village, and School District, each of which contributes one third of the Commission's budget. During the year ended March 31, 2005, the Township paid the Commission \$3,000.

NOTE 12 - CHANGE IN ACCOUNTING PRINCIPLES:

Effective April 1, 2004, the Township implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, along with all related statements and interpretations. In connection with the implementation of this statement, the following adjustments to beginning net assets have been made to reflect the cumulative effect of this accounting change:

Net assets, as previously reported (General, special revenue, and debt service funds)	\$ 946,040
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,661,866
Some liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(2,336,500)</u>
Net assets, as restated	<u>\$ 2,271,406</u>

REQUIRED SUPPLEMENTARY INFORMATION

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Township of Thornapple
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended March 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 264,750	\$ 264,750	\$ 259,476	\$ (5,274)
State grants	270,635	270,635	265,766	(4,869)
Charges for services	25,750	25,750	24,797	(953)
Interest	5,950	5,950	3,813	(2,137)
Other:				
Street lighting assessment	2,000	2,000	2,035	35
Lake improvement assessment	23,000	23,000	23,715	715
Miscellaneous	<u>500</u>	<u>500</u>	<u>3,591</u>	<u>3,091</u>
Total revenues	<u>592,585</u>	<u>592,585</u>	<u>583,193</u>	<u>(9,392)</u>
EXPENDITURES				
Legislative	12,776	12,776	11,196	1,580
General government	381,030	394,380	383,544	10,836
Public works	137,640	96,640	89,164	7,476
Community and economic development	66,000	66,000	45,762	20,238
Capital outlay	<u>2,350</u>	<u>2,350</u>	<u>2,359</u>	<u>(9)</u>
Total expenditures	<u>599,796</u>	<u>572,146</u>	<u>532,025</u>	<u>40,121</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(7,211)	20,439	51,168	30,729
OTHER FINANCING USES				
Transfer out - Ambulance Fund	<u>-</u>	<u>(6,530)</u>	<u>(6,530)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(7,211)	13,909	44,638	30,729
FUND BALANCES - BEGINNING	<u>389,819</u>	<u>389,819</u>	<u>389,819</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 382,608</u>	<u>\$ 403,728</u>	<u>\$ 434,457</u>	<u>\$ 30,729</u>

Township of Thornapple
BUDGETARY COMPARISON SCHEDULE - Fire Fund
Year ended March 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 198,000	\$ 198,000	\$ 199,708	\$ 1,708
Charges for services	143,413	143,413	138,903	(4,510)
Interest	8,000	8,000	350	(7,650)
Other	<u>2,500</u>	<u>2,500</u>	<u>5,196</u>	<u>2,696</u>
Total revenues	<u>351,913</u>	<u>351,913</u>	<u>344,157</u>	<u>(7,756)</u>
EXPENDITURES				
Public safety	396,680	424,180	426,821	(2,641)
Capital outlay	<u>41,000</u>	<u>72,500</u>	<u>72,818</u>	<u>(318)</u>
Total expenditures	<u>437,680</u>	<u>496,680</u>	<u>499,639</u>	<u>(2,959)</u>
NET CHANGE IN FUND BALANCES	(85,767)	(144,767)	(155,482)	(10,715)
FUND BALANCES - BEGINNING	<u>357,906</u>	<u>357,906</u>	<u>357,906</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 272,139</u>	<u>\$ 213,139</u>	<u>\$ 202,424</u>	<u>\$ (10,715)</u>